

## **GLOSSARY OF TERMS**

### **For Local Public Agency (LPA) Federal-Aid Projects**

Below is an alphabetical listing of terms and phrases used throughout the Project Development Packet. Following each term or phrase is a brief definition.

**Advance Construction:** A means by which FHWA can authorize federal funds for a project, even though the federal funds are not currently available. After an advance construction authorization, work which is to be reimbursed with federal funds can begin. However, the LPA will not be able to receive reimbursement for this work until the federal funds become available. Once the federal funds do become available, the advance construction authorization is “converted” to a regular authorization by Iowa DOT and FHWA staff. After the advance construction is converted, the LPA can receive federal-aid reimbursement.

**Authorization/Agreement:** A document that the Iowa DOT and FHWA electronically sign in FMIS that obligates federal funding for the project. This document also establishes the effective authorization date.

**Amendment/Modification:** A document that amends a previously executed Authorization/Agreement or a prior Amendment/Modification. In instances when a federally-funded project needs to be amended for any reason (cost overrun, additional phase of work, supplemental agreement, etc.), an Amendment/Modification is signed by the Iowa DOT and FHWA to electronically approve the modification. This process is also completed through FMIS. The electronic signature date of FHWA personnel on the Amendment/Modification is the effective authorization date for the amendment.

**Effective Authorization Date:** This is the date after which work that is to be reimbursed with federal funds may begin. Any costs for work occurring prior to this date are not eligible for federal reimbursement.

**Federal Fiscal Year (FFY):** Begins on October 1 and ends September 30 of each calendar year. For example, October 1, 2002 is the beginning of the federal fiscal year 2003.

**Federal Funds:** Federal funds reflect the amount of federal funding available for a project. Depending on the type of federal program funding requested, the federal share may be different. For most programs (although there are exceptions), the federal share is 80 percent of the total eligible project costs. However, the total amount of federal funds received is subject to either the federal aid limit shown in the Statewide Transportation Improvement Program (STIP) or the limit established by the type of federal-aid program.

**FHWA Authorization:** The action taken by FHWA when signing the Authorization / Agreement document or the Amendment / Modification document. This action obligates federal funds at the specified pro-rata share for the specific type of project costs identified on the Authorization / Agreement or Amendment / Modification.

Financial Management Information System (FMIS): FMIS is the FHWA's electronic financial tracking system for federal-aid highway projects. Iowa DOT personnel use this system to obtain project information and funding reports.

Incurred Costs: Costs are considered to be incurred when the work associated with those costs begins. Example: Costs have been incurred once a consultant, whose services are to be reimbursed with federal funds, begins work, even if the LPA has not received a bill or made any payments to the consultant.

Obligation: An obligation is a commitment – the Federal government's promise to pay the Federal share of a project's eligible cost. This commitment occurs when the project is authorized by FHWA and the Authorization/Agreement or the Amendment/Modification is executed through FMIS. Obligation is a key step in financing. Obligated funds are considered "used," or set aside for that particular project, even before any cash is transferred.

Obligation Authority: Yearly, the United States Congress places a limitation on obligations that can take place during a certain federal fiscal year, regardless of the year in which federal funds were apportioned or allocated.

Pro Rata Share: The percentage of eligible and authorized project costs paid by the Federal government. With a few exceptions, the Federal government does not pay for the entire cost of construction or improvement of Federal-aid highways. Federal funds must be matched with funds from other non-federal sources.

State Fiscal Year: Begins on July 1 and ends on June 30 of each calendar year. For example, July 1, 2002 is the beginning of the state fiscal year 2003.

Total Cost: Total cost on a federally funded project includes all federal funds, state funds, local funds, private funds, in-kind contributions, nonparticipating funds, and other funds on the project.